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ARCHIE B. SANCHEZ, JR.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

DISTRICT 99 ADVOCACY CORPORATION

For the Year Ended June 30, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/3/02

DISTRICT 99 ADVOCACY CORPORATION
JUNE 30, 2001

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ARCHIE B. SANCHEZ, JR.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

INDEPENDENT AUDITOR'S REPORT


To the Board of Directors
District 99 Advocacy Corporation
6030 St. Claude Avenue
New Orleans, Louisiana 70117

I have audited the accompanying statement of financial position of District 99 Advocacy Corporation (a nonprofit organization) as of June 30, 2001, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of District 99 Advocacy Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of District 99 Advocacy Corporation as of June 30, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated February 19, 2002 on my consideration of District 99 Advocacy Corporation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.


Archie B. Sanchez, Jr.
February 19, 2002

DISTRICT 99 ADVOCACY CORPORATION
 STATEMENT OF FINANCIAL POSITION
 For the Year Ended June 30, 2001

	<u>2001</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 18,749.69
TOTAL CURRENT ASSETS	18,749.69
	<hr/>
TOTAL ASSETS	<u>\$ 18,749.69</u>
	<hr/>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Deferred grant revenue	\$ 11,553.93
Accrued other expenses	699.61
Accrued wages and salaries	<u>6,396.15</u>
TOTAL CURRENT LIABILITIES	18,649.69
	<hr/>
TOTAL LIABILITIES	18,649.69
	<hr/>
NET ASSETS	
Unrestricted	<u>100.00</u>
TOTAL NET ASSETS	<u>100.00</u>
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,749.69</u>
	<hr/>

The accompanying notes are an integral part of this statement.

DISTRICT 99 ADVOCACY CORPORATION
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2001

OPERATING REVENUE AND
 OTHER SUPPORT

State of Louisiana Governor's Office of Urban Affairs and Development	<u>\$202,196.07</u>
TOTAL OPERATING REVENUE AND OTHER SUPPORT	202,196.07

OPERATING EXPENSES

State of Louisiana Governor's Office of Urban Affairs and Development	
Program services	98,601.44
Supporting services	
Management and general	<u>103,594.63</u>

TOTAL EXPENSES	<u>202,196.07</u>
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CHANGE IN NET ASSETS FROM OPERATIONS	---
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OTHER CHANGES

Contributions	
Other	<u>100.00</u>

TOTAL OTHER CHANGES	<u>100.00</u>
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INCREASE IN NET ASSETS	100.00
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NET ASSETS AT BEGINNING OF YEAR	<u>---</u>
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NET ASSETS AT END OF YEAR	<u>\$ 100.00</u>
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The accompanying notes are an integral part of this statement.

DISTRICT 99 ADVOCACY CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2001

	<u>Program Services</u> State of Louisiana Governor's Office of Urban Affairs and Development	<u>Supporting Services</u> State of Louisiana Governor's Office of Urban Affairs and Development Management and General	<u>Total</u>
Compensation and related expenses			
Compensation			
Full-time	\$	\$ 83,653.75	\$ 83,653.75
Part-time	76,145.00		\$ 76,145.00
Payroll taxes	7,426.29	7,292.00	\$ 14,718.29
	<u>83,571.29</u>	<u>90,945.75</u>	<u>\$174,517.04</u>
Accounting		2,400.00	2,400.00
Advertising		490.00	490.00
Bank charges		103.00	103.00
Computers		1,098.00	1,098.00
Contract service	606.00	164.22	770.22
Equipment rental		833.89	833.89
File cabinet		196.19	196.19
Food	4,851.56		4,851.56
Insurance			
Property and casualty		2,963.15	2,963.15
Worker's compensation		1,006.02	1,006.02
Newsletter	1,928.00		1,928.00
Office expense	3,612.86		3,612.86
Payroll services		1,228.19	1,228.19
Printing	6.54		6.54
Telephone		2,104.90	2,104.90
Travel	208.20	61.32	269.52
Truck rental	360.00		360.00
Utilities	3,456.99		3,456.99
	<u>98,601.44</u>	<u>103,594.63</u>	<u>\$202,196.07</u>
Total	\$	\$	\$

The accompanying notes are an integral part of this statement.

DISTRICT 99 ADVOCACY CORPORATION
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2001

	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 100.00
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Increase (decrease) in operating liabilities:	
Deferred grant revenue	11,553.93
Accrued other expenses	699.61
Accrued wages and salaries	<u>6,396.15</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,749.69</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 18,749.69
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>-0-</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 18,749.69</u>

The accompanying notes are an integral part of this statement.

DISTRICT 99 ADVOCACY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of District 99 Advocacy Corporation (the nonprofit organization) is presented to assist in understanding the nonprofit organization's financial statements. The financial statements and notes are representations of the nonprofit organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of District 99 Advocacy Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Nature of Activities

District 99 Advocacy Corporation (the nonprofit organization) is a community based organization serving the City of New Orleans 9th Ward community. District 99 Advocacy Corporation serves as a resource center and administer the following program activities: beautification, education, food banking, health, housing, recreation, and technology. The organization is supported primarily through donor contributions and grants. Approximately 100% of the organization's support for the year ended June 30, 2001 came from the State of Louisiana Governor's Office of Urban Affairs and Development.

DISTRICT 99 ADVOCACY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Contributed Services

No amounts have been reflected in the financial statements for contributed services. The organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. The organization receives not more than 300 volunteer hours per year.

Deferred Revenue

Revenue from the State of Louisiana Governor's Office of Urban Affairs and Development is deferred and recognized over the period to which grant revenue relate.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DISTRICT 99 ADVOCACY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Expense Allocation

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Property and Equipment

All acquisitions of property and equipment in excess of \$750 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

DISTRICT 99 ADVOCACY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE B - COMMITMENTS

The organization has a contract agreement with Archie B. Sanchez, Jr., Certified Public Accountant & Consultant, which was entered into by District 99 Advocacy Corporation and Archie B. Sanchez, Jr., Certified Public Accountant & Consultant, and terminates upon issuance of the June 30, 2001 audit report. The aggregate commitment under this agreement is approximately \$5,500 at June 30, 2001.

NOTE C - CONCENTRATION OF OPERATING REVENUE AND OTHER
SUPPORT

The organization received approximately 100% of its operating revenue and support from the State of Louisiana Governor's Office of Urban Affairs and Development. The organization's contract with the State of Louisiana Governor's Office of Urban Affairs and Development was for the contract period July 1, 2000 through June 30, 2001.

	<u>Number of Contributors /Grantors</u>	<u>Amount</u>	<u>Percent of Revenue</u>
State award	1	\$202,196.07	100%

DISTRICT 99 ADVOCACY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE D - DEFERRED GRANT REVENUE

The change in District 99 Advocacy Corporation deferred grant revenue account for the period ended June 30, 2001 is comprised of the following:

Balance at beginning of year	\$ -0-
Additions:	
Grant proceeds received	213,750.00
Reductions:	
Grant revenue earned	<u>(202,196.07)</u>
Balance at end of year	<u>\$ 11,553.93</u>

NOTE E - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program Services

The primary focus of the program is to serve as a resource center. The scope of services include beautification, education, food banking, health, housing, recreation, and technology.

Management and General

Includes the functions necessary to maintain a resource center; ensure an adequate working environment; provide coordination and articulation of the organization's program strategies through the Office of the Executive Director; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the organization.

NOTE F - FUNCTIONAL CLASSIFICATION OF EXPENSES

EXPENSES

State of Louisiana Governor's Office of Urban Affairs and Development	
Program service	\$ 98,601.44
Supporting services	
Management and general	<u>103,594.63</u>
TOTAL EXPENSES	<u>\$202,196.07</u>

DISTRICT 99 ADVOCACY CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE G - LEASES (OPERATING LEASE)

The organization has a one year term, noncancelable operating lease for a Xerox 5818TA Copier that expires on July 26, 2001. The one year term, noncancelable operating lease does not contain a renewal option. Rental expenses related to this operating lease consisted of \$833.89 for the year ended June 30, 2001. The organization has no future minimum lease payments under this operating lease in excess of one year. However, future minimum lease payments under the remaining term of the lease as of June 30, 2001 will be approximately \$109.20.

NOTE H - NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

Financial awards from state and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. Currently, there is questioned costs in the amount of \$12,398.52 noted in the Schedule of Findings and Questioned Costs. The ultimate disposition of this amount is unknown, and, accordingly, the effect on the financial statement is not reflected.

DISTRICT 99 ADVOCACY CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001

District 99 Advocacy Corporation has no prior audit findings to report on. District 99 Advocacy Corporation is not required to prepare a summary schedule of prior audit findings because the organization did not exist prior to the period of this audit. District 99 Advocacy Corporation included this page for informational purposes to avoid any potential misunderstanding or future questions concerning nonconformity with the reporting requirements. (See SOP 98-3, paragraph 10.68).

ARCHIE B. SANCHEZ, JR.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
District 99 Advocacy Corporation
6030 St. Claude Avenue
New Orleans, Louisiana 70117

I have audited the financial statements of District 99 Advocacy Corporation as of and for the year ended June 30, 2001, and have issued my report thereon dated February 19, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District 99 Advocacy Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 01-F6, 01-F7, 01-F8, 01-F9 and 01-F10. I also noted certain immaterial instances of noncompliance that I have reported to management of District 99 Advocacy Corporation in a separate letter dated February 19, 2002.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered District 99 Advocacy Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable

ARCHIE B. SANCHEZ, JR.


CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect District 99 Advocacy Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 01-F1, 01-F2, 01-F3, 01-F4, and 01-F5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 01-F1, 01-F2, 01-F3, 01-F4, and 01-F5 to be material weaknesses. I also noted other matters involving the internal control over financial reporting which I have reported to management of District 99 Advocacy Corporation in a separate letter dated February 19, 2002.

This report is intended solely for the information and use of the board of directors, management, the State of Louisiana Governor's Office of Urban Affairs and Development, and the legislative auditor. However, this report is a matter of public record, and its distribution is not limited.


Archie B. Sanchez, Jr.
February 19, 2002

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

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DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of District 99 Advocacy Corporation for the year ended June 30, 2001.
2. Reportable conditions in internal control were disclosed during the audit of the financial statements and are reported in the Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards. All reportable conditions identified are material weaknesses.
3. The audit disclosed noncompliance that is material to the financial statements and are reported in the Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards. Government Auditing Standards require that all material instances of noncompliance must be reported.
4. The audit disclosed audit findings that are required to be reported under the Yellow Book (i.e., Government Auditing Standards). The audit findings (i.e., reportable conditions, identification of material weaknesses, and noncompliance with laws and regulations) are reported in the Schedule of Findings and Questioned Costs.
5. The State of Louisiana Governor's Office of Urban Affairs and Development grant award was the only award program administered by District 99 Advocacy Corporation for the year ended June 30, 2001.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS-FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

01-F1 Cash (Bank Reconciliations)

Statement of Condition: The nonprofit organization's cash balances at June 30, 2001 did not reflect a proper cutoff of cash receipts and cash disbursements. The nonprofit organization's cash balances at June 30, 2001 was understated by \$12,503.62. The June 30, 2001 bank reconciliation did not correctly report the amount of outstanding checks.

Criteria: Internal controls should be in place that provide reasonable assurance that cash in the statement of financial position is on hand, in transit, or on deposit with third parties (depositories) in the name of the nonprofit organization. Internal controls should be in place that provide reasonable assurance that cash balances reflect a proper cutoff of cash receipts and cash disbursements. Internal controls should be in place that provide reasonable assurance that cash is stated correctly and presented properly in the financial statements.

Effect: A material weakness in the internal control structure. Because of the failure to ensure that cash receipts and cash disbursements were properly accounted for at of June 30, 2001, the nonprofit organization's cash balances were understated by \$12,503.62 at June 30, 2001.

Cause: The nonprofit organization's management has not undertaken the necessary steps to establish appropriate internal controls to ensure that cash balances reflect a proper cutoff of cash receipts and cash disbursements and are stated at the correct amount.

Recommendation: Procedures should be implemented to ensure that cash balances reflect a proper cutoff of cash receipts and cash disbursements and are stated at the correct amount.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS-FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

01-F2 Authorization To Open Depository Account

Statement of Condition: No evidence to support that the management of the nonprofit organization received authorization from the board of directors to open a depository account at Whitney National Bank.

Criteria: For depository accounts opened during the period, trace to authorization in the minutes of the board of directors.

Effect: A material weakness in the internal control structure. Failure to require authorization from the board of directors; thus, depository accounts were added without appropriate board authorization.

Cause: Absence of policies and procedures that define the authorization process for opening and/or closing of depository accounts.

Recommendation: Procedures should be implemented requiring board authorization for opening and closing all depository accounts.

01-F3 Purchasing Goods and Services

Statement of Condition: The nonprofit organization had no formal policies and procedures for purchasing goods and services.

Criteria: Recorded expenses and cash disbursements are for goods or services authorized and received.

Effect: A material weakness in the internal control structure. Failure to ensure that purchases are made in accordance with applicable laws and regulations.

Cause: Failure to develop or communicate purchasing policies and procedures.

Recommendation: The management of the nonprofit organization should develop purchasing policy and procedures that will ensure that purchases are authorized and in compliance with applicable laws and regulations.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESSTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS-FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

01-F4 Payroll Expenses and Payroll Liabilities

Statement of Condition: During the test of payroll expense and payroll liabilities, I noted that the nonprofit organization did not properly accrue year end payroll expenses and payroll liabilities at June 30, 2001.

Criteria: Payroll expense and payroll liabilities are recorded correctly as to amount and period and classified properly by account and program or other functional expense category.

Criteria: The state law for quasi-public entities (i.e., not-for-profit organizations that receives and/or expends in excess of \$25,000 in local and/or state assistance in any fiscal year) is generally accepted accounting principles.

Effect: A material weakness in the internal control structure. The nonprofit organization understated payroll expenses and payroll liabilities at June 30, 2001 by \$7,095.76.

Cause: The nonprofit organization failed to record payroll expenses and payroll liabilities in accordance with generally accepted accounting principles.

Recommendation: Procedures should be implemented to ensure that payroll expenses and payroll liabilities are correctly stated in accordance with generally accepted accounting principles.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS-FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

01-F5 Deferred Grant Revenue

Statement of Condition: During the test of grant revenues, I noted that total cash received from the State of Louisiana Governor's Office of Urban Affairs and Development totaled \$213,750.00; however, total program expenditures totaled \$202,196.07. Thus, the nonprofit organization's financial statements should report a liability due to the State of Louisiana Governor's Office of Urban Affairs and Development for \$11,553.93.

Criteria: Liabilities of the nonprofit organization are identified, recorded, and disclosed.

Effect: A material weakness in the internal control structure. The management of the nonprofit organization failed to identify, record and disclose \$11,553.93 of liabilities attributable to advance payments received from the State of Louisiana Governor's Office of Urban Affairs and Development at June 30, 2001.

Cause: Management failed to review the nonprofit organization's financial statements to ensure that all liabilities are identified, recorded, and disclosed.

Recommendation: Procedures should be implemented to ensure that the financial statements accurately reflect the financial position, results of operations and cash flows of the nonprofit organization.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS AND QUESTIONED COSTS

Questioned
Costs
\$8,656.63

STATE OF LOUISIANA GOVERNOR'S
OFFICE OF URBAN AFFAIRS AND DEVELOPMENT

01-F6 Noncompliance With Contract Budget

Statement of Condition: During the test of compliance with the approved budget, I noted that the nonprofit organization did not expend all funds in accordance with the prescribed budget.

	Approved Budget	Actual Expenses	Variances Favorable (Unfavorable)
Administrative Budget:			
Personnel-Salaries			
Executive Director	\$35,000.00	\$33,653.75	\$1,346.25
Administrative Assistant	26,000.00	25,000.00	1,000.00
Administrative Assistant	26,000.00	25,000.00	1,000.00
Subtotal	<u>\$87,000.00</u>	<u>\$83,653.75</u>	<u>3,346.25</u>
Personnel-Fringe Benefits			
FICA	6,143.53	6,399.50	(255.97) *
SUTA	1,134.00	892.50	241.50
Subtotal	<u>7,277.53</u>	<u>7,292.00</u>	<u>(14.47)</u>
Operating Services			
Telephones	3,000.00	2,104.90	895.10
Insurance	3,000.00	2,963.15	36.85
Workmen's Compensation	3,000.00	1,006.02	1,993.98
Subtotal	<u>9,000.00</u>	<u>6,074.07</u>	<u>2,925.93</u>
Supplies			
File cabinet, computer	1,600.00	1,294.19	305.81
Equipment			
Lease of copier	1,440.00	833.89	606.11
Other Expense			
Bank charges	300.00	103.00	197.00
Accounting fees	2,400.00	2,400.00	-0-
Auditing fees	5,500.00	-0-	5,500.00
Subtotal	<u>8,200.00</u>	<u>2,503.00</u>	<u>5,697.00</u>
Advertising	-0-	490.00	(490.00) *
Contract service	-0-	164.22	(164.22) *
Contract-payroll	-0-	1,228.19	(1,228.19) *
Travel	-0-	61.32	(61.32) *
Subtotal	<u>-0-</u>	<u>1,943.73</u>	<u>(1,943.73)</u>
Total Administrative Budget	<u>114,517.53</u>	<u>103,594.63</u>	<u>10,922.90</u>
Programmatic Budget			
Personnel-Salaries			
Advocacy Worker	52,000.00	50,000.00	2,000.00
Food Bank Coordinator	14,300.00	13,695.00	605.00
Food Bank Worker	13,000.00	12,450.00	550.00
Subtotal	<u>79,300.00</u>	<u>76,145.00</u>	<u>3,155.00</u>
Personnel Fringe Benefits			
FICA	5,599.80	5,825.11	(225.31) *
SUTA	2,268.00	1,601.18	666.82
Subtotal	<u>7,867.80</u>	<u>7,426.29</u>	<u>441.51</u>
Operating Services			
Utilities	4,799.50	3,456.99	1,342.51
Food	3,834.50	4,851.56	(1,017.06) *
Subtotal	<u>8,634.00</u>	<u>8,308.55</u>	<u>325.45</u>
Supplies			
Office supplies	1,500.50	3,612.86	(2,112.36) *
Printing expense	1,930.17	6.54	1,923.63
Subtotal	<u>3,430.67</u>	<u>3,619.40</u>	<u>(188.73)</u>
Contract service	-0-	606.00	(606.00) *
Newsletter	-0-	1,928.00	(1,928.00) *
Truck rental	-0-	360.00	(360.00) *
Travel	-0-	208.20	(208.20) *
Subtotal	<u>-0-</u>	<u>3,102.20</u>	<u>(3,102.20)</u>
Total Programmatic Budget	<u>99,232.47</u>	<u>98,601.44</u>	<u>631.03</u>
Grand Total	<u>\$213,750.00</u>	<u>\$202,196.07</u>	<u>\$11,553.93</u>

* - noncompliance with the contract budget.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS AND QUESTIONED COSTS

STATE OF LOUISIANA GOVERNOR'S
OFFICE OF URBAN AFFAIRS AND DEVELOPMENT

01-F6 Noncompliance With Contract Budget (Continued)

Criteria: It is agreed between parties that these funds are to be used only for the purposes stated in the Grantee's application. Misuse of funds by Grantee will lead to legal action by the State of Louisiana to recoup any monies used for unallowable expenditures.

Effect: Noncompliance with the contract budget.

Cause: Failure to monitor expenses relative to the approved budget.

Recommendation: Procedures should be implemented to ensure that expenditures are incurred consistent with the contract budget.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS AND QUESTIONED COSTS

Questioned
Costs _____
\$ -0-

STATE OF LOUISIANA GOVERNOR'S
OFFICE OF URBAN AFFAIRS AND DEVELOPMENT

01-F7 Grant Financial Reports Do Not Reconcile To The
Accounting Records

Statement of Condition: The grant financial reports do not reconcile to the underlying accounting records.

	Amount Per Financial Report	Amount Per General Ledger	Unreconciled Differences
Personnel-Salaries	\$159,798.75	\$159,798.75	\$ -0-
Fringe Benefits	14,507.94	14,718.29	(210.35)
Personnel Travel	-0-	269.52	(269.52)
Operating Services	14,272.10	14,382.62	(110.52)
Supplies	4,556.59	4,913.59	(357.00)
Equipment	833.89	833.89	-0-
Other Expenses	13,534.66	2,503.00	11,031.66
Advertising	-0-	490.00	(490.00)
Contract service	-0-	164.22	(164.22)
Contract-payroll	-0-	1,228.19	(1,228.19)
Contract service	-0-	606.00	(606.00)
Newsletter	-0-	1,928.00	(1,928.00)
Truck rental	-0-	360.00	(360.00)
Grand Total	<u>\$207,503.93</u>	<u>\$202,196.07</u>	<u>\$5,307.86</u>

Criteria: Grantee hereby agree to submit monthly expenditure reports (detailing administrative and programmatic financial activities) and quarterly reports to the Governor's Office of Urban Affairs and Development.

Effect: Incorrect financial reporting to the State of Louisiana Governor's Office of Urban Affairs and Development.

Cause: The nonprofit organization did not properly cutoff cash receipts and cash disbursements at June 30, 2001; thus, inaccurate financial information was used in preparing monthly expenditure reports.

Recommendation: The nonprofit organization should establish and maintain procedures to ensure that financial reports submitted to the State of Louisiana Governor's Office of Urban Affairs and Development are correct.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS AND QUESTIONED COSTS

Questioned
Costs

\$-0-

STATE OF LOUISIANA GOVERNOR'S
OFFICE OF URBAN AFFAIRS AND DEVELOPMENT

01-F8 Timely Submission of Audit Report

Statement of Condition: The nonprofit organization was unable to timely submit the audit report to the Legislative Auditor's Office within six months of the close of the entity's fiscal year end for the following reasons:

- a. the general ledger provided by the client did not facilitate a proper cutoff of transactions (i.e., cash receipts, cash disbursements, and journal entries);
- b. the general ledger line item descriptions used by the nonprofit organization was not consistent with the State of Louisiana Governor's Office of Urban Affairs and Development's contract budget;
- c. the nonprofit organization did not perform double entry accounting; thus, it was difficult for the auditor to trace the occurrence of transactions to the summarization of the transactions in the general ledger;
- d. payroll transactions were recorded in gross totals by category (i.e. administrative salaries, programmatic salaries) without an adequate audit trail to distinguish the applicable payees;
- e. the external auditor recompiled the nonprofit organization's financial statement to facilitate the audit.

Criteria: Louisiana Revised Statute 24:513 and Louisiana Governmental Audit Guide require all engagements to be completed and transmitted to the legislative auditor within six months of the close of the entity's fiscal year.

Effect: Noncompliance with Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide.

Cause: The management of the nonprofit organization retained an accountant who failed to prepare the financial statements in accordance with generally accepted accounting principles.

Recommendation: I recommend that the organization retain an accountant who will prepare the financial statements consistent with generally accepted accounting principles to facilitate an external audit.

DISTRICT 99 ADVOCACY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS AND QUESTIONED COSTS

Questioned
Costs
\$1,193.89 (1)

STATE OF LOUISIANA GOVERNOR'S
OFFICE OF URBAN AFFAIRS AND DEVELOPMENT

01-F9 Grantee's Noncompliance With Terms and Conditions
Of the Grant Award Relating To Lease Equipment

Statement of Condition: During the test expenses for program and supporting services, I noted that the management of the nonprofit organization failed to submit to the State of Louisiana Governor's Office of Urban Affairs and Development two lease contracts (i.e., Xerox Copier; U-Haul Truck Rental). The nonprofit organization charged \$1,193.89 for equipment and truck rental expenses at June 30, 2001

Criteria: During the performance of this agreement, the grantee hereby agrees to the following terms and conditions:

- a. In the event the grantee is required to lease equipment, all leasing contracts must be reviewed by the Governor's Office of Urban Affairs and Development before the lease agreement is executed.

Criteria: To be allowable under an award, costs must meet the following general criteria:

- a. be adequately documented.

Effect: The management of the nonprofit organization failed to submit the lease contract for a Xerox copy machine and the U-Haul truck rental to the Governor's Office of Urban Affairs and Development for review and approval.

Cause: Management lack awareness that all leasing contracts must be reviewed and approved by the Governor's Office of Urban Affairs and Development before the lease agreement is executed.

Recommendation: I recommend that the nonprofit organization implement internal controls to comply with the terms and conditions of the State of Louisiana Governor's Office of Urban Affairs and Development grant award.

- (1) - \$360.00 of the total \$1,193.89 was questioned under finding 01-F6 on page 21 of this report.

DISTRICT 99 ADVOCACY CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2001

FINDINGS AND QUESTIONED COSTS

Questioned
Costs
 \$2,548.00

STATE OF LOUISIANA GOVERNOR'S
 OFFICE OF URBAN AFFAIRS AND DEVELOPMENT

01-F10 Unsupported Cost Charged to Grant Award

Statement of Condition: During the test of expenses for program and supporting services and accounts payable, one disbursement out of twenty disbursements selected for testing had unsupported costs of \$2,548.00 charged to the State of Louisiana Governor's Office of Urban Affairs and Development grant award.

Criteria: To be allowable under an award, costs must meet the following general criteria:

a. be adequately documented.

Criteria: Grantee agrees to retain books, records and other documents relevant to contract and funds expended there under for at least four (4) years from final payment.

Effect: The costs are subject to disallowance and refund to the State of Louisiana Governor's Office of Urban Affairs and Development.

Cause: The management of the nonprofit organization failed to obtain and/or retain source documents for a major transaction.

Recommendation: Procedures should be implemented to ensure that cost charged to the program is adequately supported. Procedures should be implemented to ensure that the nonprofit organization retain books, records and other documents relevant to the contract and funds expended for at least four (4) years from final payment.

ARCHIE B. SANCHEZ, JR.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

February 19, 2002

To the Management and
To the Board of Directors of
District 99 Advocacy Corporation
6030 St. Claude Avenue
New Orleans, Louisiana 70117

Re: Management Letter Comments

In planning and performing the audit of the financial statements of District 99 Advocacy Corporation for the year ended June 30, 2001, I considered the Organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during the audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (I previously reported on the Organization's internal control in my report dated February 19, 2002.) This letter does not affect my report dated February 19, 2002, on the financial statements of District 99 Advocacy Corporation.

I will review the status of these comments during the next audit engagement. I have already discussed many of these comments and suggestions with the Organization's personnel, and I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Cash Disbursements

While testing cash disbursements, I noted that supporting invoices were not always canceled or marked "paid" to prevent duplicate payment. To reduce the risk of duplicate payment for purchases, payments should only be made from original invoices that are routinely canceled or marked "paid" with the date they are vouchered for payment.

ARCHIE B. SANCHEZ, JR.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

Page 2 - Management Letter Comments (Continued)

Cash Disbursements

While testing cash disbursements, I noted that supporting invoices (i.e., Abita Springs Water; BellSouth; Entergy and Xerox Corporation) were not always paid timely; thus, payments were made on statements reflecting prior unpaid balances. In many instances, the original invoice for balances carried forward were unavailable for review. To reduce the risk of duplicate payment for purchases, payments should be made from original invoices only.

Cash Disbursements

While testing cash disbursements, I noted that the utility invoices from Entergy were billed in the name of the lessor (i.e., Light City Enterprises) instead of the lessee (i.e., District 99 Advocacy Corporation). The management of the nonprofit organization failed to appropriately have the utilities billed to District 99 Advocacy Corporation. Management should contact Entergy immediately and have the utilities billed in District 99 Advocacy Corporation's name.

Cash Disbursements

While testing cash disbursements, I noted that the Xerox 5818TA Copier lease contract was not in the name of the nonprofit organization. Also, I noted that no sublease agreement existed between the nonprofit organization and the party to whom the invoice was rendered to. I recommend that the management of the nonprofit organization implement procedures to ensure that all leased equipment is documented in the name of the nonprofit organization.

Contract Noncompliance (i.e., Sales Tax Paid on Purchases)

Five out of twenty cash disbursements selected for testing included sales tax paid. Vendor names to whom sales tax were paid include the following: Abita Springs, Entergy, and Xerox. Although, all of the monetary exceptions noted are extremely minor in amount, appropriate internal controls should be implemented to ensure that sales tax is not paid on purchases made by the nonprofit organization. The nonprofit organization is exempt from sales tax on purchases.

ARCHIE B. SANCHEZ, JR.

CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

Page 3 - Management Letter Comment (Continued)

I would like to thank the Executive Director for her support and assistance during the audit.

This report is intended solely for the information and use of the Board of Directors, management, the State of Louisiana Governor's Office of Urban Affairs and Development, and the legislative auditor. However, this letter is a matter of public record, and its distribution is not limited.


Archie B. Sanchez, Jr.
February 19, 2002

DISTRICT 99 ADVOCACY CORPORATION

*6030 St. Claude Avenue
New Orleans, Louisiana 70117
(504) 277-2296*

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LEGISLATIVE AUDITOR
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Corrective Action Plan

District 99 respectfully submits the following corrective action plan for the year 2000 – 2001, our first year in operation with District 99 Advocacy Corporation and independent public accountant Archie Sanchez, Jr. and State of Louisiana Governor's Office of Urban Affairs and Development.

Findings-Financial Statement Audit 01-F1 Cash (Bank Reconciliation)

Recommendation: Procedures should be implemented to ensure that cash balances reflect a proper cutoff of cash receipts and cash disbursements and are stated at the correct amount.

Action Taken: We concur with the recommendation, and implemented procedures to ensure that cash balances reflect a proper cutoff of cash receipts and cash disbursements and are stated at the correct amount. The above procedures were implemented effective March 19, 2002.

Findings-Reportable Conditions 01-F2 Authorization to Open Depository Accounts

Recommendation: Procedures should be implemented requiring board authorization for opening and closing all depository accounts.

Action Taken: We concur with the recommendation, and we implemented procedures requiring board authorization for opening and closing all depository account as of March 19, 2002.

**Findings-Financial Statement Audit
01-F3 Purchasing Goods and Service**

Recommendation: The management of the nonprofit organization should develop purchasing policy and procedures that will ensure the purchases are authorized and in compliance with applicable laws and regulations.

Action Taken: We concur with the recommendation, and it was implemented effective March 19, 2002 to develop purchasing policy and procedures to ensure that purchases are authorized and in compliance with applicable laws and regulations.

**Findings-Reportable Conditions
01-F4 Payroll Expenses and Payroll Liabilities**

Recommendation: Procedures should be implemented to ensure that payroll expenses and payroll liabilities are correctly stated in accordance with general accepted accounting principles.

Action Taken: We concur with the recommendation, and it was implemented effective March 19, 2002 that payroll expenses and liabilities are correctly stated in accordance with general accepted accounting principles.

**Findings – Reportable Conditions
01-F5 Deferred Grant Revenue**

Recommendation: Procedures should be implemented to ensure that the financial statements accurately reflect the financial position, results of operations and cash flows of the nonprofit organization.

Action Taken: We concur with the recommendation; however deferred revenues represent committed fees related to the auditor and the last pay period of the award.

**Findings- State Award Program Audit
01- F6 Noncompliance With Contract Budget**

Recommendation: Procedures should be implemented to ensure that expenditures are incurred consistent with the contract budget.

Action Taken: We concur with the recommendation, and as of March 19, 2002 we will make sure that all expenditures will be consistent with contract budget.

Findings-State Award Program Audit

01 –F7 Grant Financial Reports Do Not Reconcile to The Accounting Records

Recommendation: The nonprofit organization should establish and maintain procedures to ensure that financial reports submitted to the State of Louisiana Governor's Office of Urban Affairs and Development are correct.

Action Taken: We concur with recommendation and effective March 19, 2002, we have established and will maintain procedures to ensure that reports submitted are correct.

Findings-State Award Program Audit

01 F8 Timely Submission of Audit Report

Recommendation: I recommend that the organization retain an accountant who will prepare the financial statements consistent with generally accepted accounting principles to facilitate an external audit.

Action Taken: We occur with the recommendation and effective March 19, 2002, we have retained an accountant who will prepare the financial statements consistent with generally accepted accounting principles to facilitate an external audit.

Finding And Questioned Costs

01-F9 Grantee's Noncompliance With Terms and Conditions of the Grant Award Relating to Lease Equipment

Recommendation: I recommend that the nonprofit organization implement internal controls to comply with the terms and conditions of the State of Louisiana Governor's Office of Urban Affairs and Development grant award.

Action Taken: We concur with the recommendation and effective March 19, 2002 all internal controls will comply with terms and conditions of the State of Louisiana Governor's Office of Urban Affairs and Development grant award.

Findings and Questioned Costs

01-F10 Unsupported Cost Charges to Grant Award

Recommendation: Procedures should be implemented to ensure that cost charged to the program is adequately supported. Procedures should be implemented to ensure that the nonprofit organization retain books, records and other documents relevant to the contract and funds expended for at least four (4) years from final payment.

Action Taken: We concur with the recommendation and effective March 19, 2002, all records and other documents will be retained for at least (4) years.

Page 6 Corrective Action Plan (continued)
Management Letter Comments

1. Findings- Cash Disbursements

Recommendations: To reduce the risk of duplicate payment for purchases, payments should only be made from original invoices that are routinely canceled or marked "paid" with the date they are vouchered for payment.

Action Taken: We concur with recommendation and effective March 22, 2002 all payments will be paid from the original invoices and will be marked "paid" with a date.

2. Findings – Cash Disbursements

Recommendations: To reduce the risk of duplicate payment for purchases, payments should be made from original invoices only.

Action Taken: We concur with recommendation and effective March 22, 2002 all payments will be made from original invoices.

3. Findings – Cash Disbursements

Recommendations: The management of the nonprofit organization failed to appropriately have the utilities billed to District 99 Advocacy Corporation. Management should contact Entergy immediately and have the utilities billed in District 99 Advocacy Corporation's name.

Action Taken: We concur with the recommendation, however we can't change Entergy bill over into District 99 without paying a deposit fee of at least \$500.00, which hasn't been put in the budget for this year.

4. Findings – Cash Disbursements

Recommendations: I recommend that the management of the nonprofit organization implement procedures to ensure that all leased equipment is documented in the name of the nonprofit organization.

Action Taken: We concur with the recommendation and effective March 22, 2002 all leased equipment will be in the name of District 99 Advocacy Corporation.

5. Findings – Contract Noncompliance

Recommendations: The nonprofit organization is exempt from sales tax on purchases.

Action Taken: We concur with recommendations and effective March 22, 2002 we will assure that internal controls are implemented to ensure that sales tax is not paid on purchases made by the nonprofit organization.